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SUBJECT: MAGHREB LEADERS EXTOL VIRTUES OF FREE TRADE

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11. (SBU) Summary: At a recent two-day conference on Maghreb business and trade, regional leaders and businessmen extolled the virtues of increased regional economic integration and lamented the currently low levels of trade and investment between the Maghreb countries. Participants hailed from all five Maghreb countries; speakers included Arab Maghreb Union (AMU) Secretary General Habib Ben Yahia and GOT Prime Minister Mohamed Ghannouchi. Ambassador Godec also attended a portion of the conference. Despite a general consensus on the importance of increasing intra-Maghreb trade, regional trade remains at extremely low levels and participants and speakers alike had difficulty articulating a practical path to remedying the situation. End Summary.

12. (U) The Institut Arabe des Chef d'Entreprises (IACE) recently hosted a two-day conference in the Tunisian resort city of Sousse on "Maghreb Business: Competition and Complementarity." In his opening remarks to the conference, Prime Minister Ghannouchi touted Tunisia's efforts to promote regional trade and investment, but also highlighted the missed economic opportunities created by the lack of intra-Maghreb trade. Ghannouchi estimated that the cost of poor Maghreb economic integration to Tunisia is two percent of GDP annually. He declared that if Maghreb countries had enacted the 1989 Marrakesh declarations outlining the creation of the Maghreb free trade zone, it would have created 20,000 new jobs each year in Tunisia. While bemoaning the previous lack of progress, Ghannouchi stressed the importance Tunisia places on intra-Maghreb trade and investment and touted GOT efforts to promote enhanced integration. He noted that the GOT automatically authorizes Tunisian companies to invest in Maghreb countries. Ghannouchi stated that there are over 100 companies with Maghreb foreign direct investment in Tunisia, including investments in the financial sector. (Note: In 2005, Spanish-Moroccan consortium Attijariwafa purchased a majority share of Banque du Sud during its privatization (reftel). End Note.)

13. (U) During his speech, Arab Maghreb Union Secretary General, and former Tunisian Foreign Minister, Ben Yahia delivered an impassioned plea for the Maghreb free trade zone, declaring that it is "not just a dream, but a necessity." Maghreb cooperation, he stated, provides a noble goal for the region's youth -- offering not just liberty of movement and increased employment, but also dreams for their future. In a likely reference to the Western Sahara impasse, Ben Yahia dismissed the importance of bilateral issues, stressing the primacy of common interest. He noted the

relatively low levels of regional trade compared to the levels of trade between the countries belonging to the Mercosur, ASEAN, and Gulf Cooperation Council zones. He implored the businessmen present to do their part to increase cooperation and stated that they should "not ask the government to do more." Ben Yahia staunchly defended the work of the Arab Maghreb Union, criticizing the media for creating the impression that the AMU was not working and stating that the process was like an iceberg with much of the work occurring below the surface. Ben Yahia announced that the negotiations were completed in the last week of November for the free trade zone and that the agreements will soon be submitted to involved Ministries of Commerce (NFI) and then will be ready for signature and ratification.

14. (SBU) Comment: Despite a clear recognition of the benefits of Maghreb economic integration, speakers and participants offered few concrete proposals for moving the process forward. Ben Yahia's impassioned defense of the AMU aside, there has been slow movement on the Maghreb free trade zone and regional trade and investment remains at frustratingly low levels. From the perspective of the GOT, promoting increased regional investment and trade provides another avenue to spur the growth of the Tunisian economy and to help address the lingering issue of unemployment. Nevertheless, significant barriers to trade and investment exist in Tunisia, notably currency controls and limits to foreign investment, that will need to be addressed in order to reap the benefits of economic integration. End Comment.  
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